

## Message Text

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TO AMEMBASSY BONN PRIORITY

INFO USMISSION BERLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY MOSCOW

USMISSION NATO

C O N F I D E N T I A L STATE 223330

E.O. 11652: GDS

TAGS: ETRN, WB, UK

SUBJECT: PAN AM MEETING WITH BEA ON BERLIN AIR SERVICES

REF: (A) STATE 202110 (B) STATE 213014

1. PANAM REP HAMBEETON MET WITH DEPTOFFS NOVEMBER 9 TO REPORT ON NOVEMBER 5 LONDON MEETING WITH BEA. ACCORDING TO HAMBRETON LONDON AIRLINES MEETING COVERED MUCH THE SAME GROUND AS US-UK GOVERNMENT TALKS IN WASHINGTON (REFTEL A), WITH EXCEPTION THAT BEA TOOK SOMEWHAT MUTED POSITION ON THREAT TO TERMINATE BERLIN SERVICES. PANAM RAISED NO (RPT NO) NEW PROPOSALS OF ITS OWN DURING TALKS.

2. PRINCIPAL POINTS COVERED IN AIRLINE TALKS FOLLOW:

(A) BEA NOTED THAT FARE INCREASE PROPOSALS HAD ALREADY  
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BEEN TABLED BUT ASKED FOR INFORMATION ON PANAM PLANS

FOR GROUP AND FAMILY FARE REDUCTIONS.

(B) BEA REQUESTED REDUCTION BY BOTH AIRLINES IN SUMMER 1974 FREQUENCIES, SUGGESTING PANAM REDUCTION FROM 49 TO 39 DAILY WHILE BEA WOULD REDUCE FROM 44 TO 33 DAILY. ACCORDING TO BEA, CUTS OF THIS MAGNITUDE ARE NECESSARY TO MEET PAST YEAR'S MARKET DECLINE OF .33 WHILE MAINTAINING PRESENT PANAM-BEA .60-.40 MARKET SHARE RATIO. PANAM IS UNWILLING TO ACCEPT FREQUENCY

CUTS ON THIS SCALE. AT THE SAME TIME, BEA STRONGLY RESISTED PANAM SUGGESTION THAT IT CUT BACK UNILATERALLY TO ECONOMICALLY VIABLE LEVEL.

(C) PANAM REMAINED OPPOSED TO BEA PROPOSAL THAT AIRLINES SEEK .70 LOAD FACTOR IN SUMMER AND .65 IN WINTER, ON BASIS THAT THIS IS UNACCEPTABLY HIGH LOAD FACTOR WHICH WOULD RESULT IN TURNING AWAY PASSENGERS AT PEAK TRAVEL HOURS.

(D) DESPITE PANAM PROBINGS, BEA OFFERED NO REAL STATISTICAL JUSTIFICATION FOR THE ESTIMATED LOSS FIGURES CITED BY UK REPS IN WASHINGTON (REFTEL A).

(E) BEA REPORTEDLY SHOWED CONSIDERABLE INTEREST IN US PROPOSAL THAT FURTHER POLITICAL EFFORT BE MADE TO RAISE CORRIDOR CEILING ABOVE 10,000 FEET AND WAS PERPLEXED AT DISINCLINATION OF UK EMBASSY REPS TO CONSIDER PROPOSAL. BEA SAID IT INTENDED PRESS ITS GOVERNMENT ON THIS SUBJECT.

(F) WHILE CONTINUING TO PRESS FOR INCREASED FRG PASSENGER SUBSIDY, BEA EVINCE SOME INTEREST IN PROPOSAL FOR JOINT US-UK APPROACH TO FRG ON ONE-TIME SUBSIDY PAYMENT TO COVER COSTS OF TEGEL MOVE.

3. ACCORDING TO HAMBLETON, PANAM IS CONVINCED THAT SOURCE OF SOME OF BEA'S PROBLEMS IS INEFFICIENT OPERATION. HE STATED THAT BEA IS SIGNIFICANTLY UNDER-UTILIZING ITS AIRCRAFT AND HAS NOT MADE ANY STAFF CUTBACKS DESPITE LARGE  
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FALL OFF IN PASSENGER TRAFFIC. HAMBLETON REPORTED THAT PANAM REPS FELT CONSTRAINED NOT TO STATE POINT BLANK THAT BEA MANAGEMENT PRACTICES WERE QUESTIONABLE, BUT TRIED TO CONVEY MESSAGE BY POINTED COMMENTS AND QUESTIONS.

4. HAMBLETON TOLD DEPTOFFS THAT, IN MOVE UNRELATED TO BEA TALKS, PANAM HAD SOUGHT AND OBTAINED FROM CAB PERMISSION TO DISCUSS CAPACITY ADJUSTMENTS WITH ANY AIRLINE WORLD-

WIDE IN EFFORT TO ACCOMMODATE FUEL SHORTAGES. WHILE SPECULATING THAT FUEL SHORTAGES IN GERMANY COULD FORCE SOME REDUCTIONS IN BERLIN SERVICES, HAMBLETON STATED THAT PANAM OPPOSES IN PRINCIPLE USING ENERGY CONSERVATION ARGUMENT AS EXCUSE FOR REDUCING AIR SERVICES IF SUFFICIENT FUEL AVAILABLE TO PERMIT MAINTENANCE OF PRESENT LEVEL OF SERVICES.

5. DEPARTMENT HAS INVITED UK EMBOFFS TO COME IN NOVEMBER 13 FOR DISCUSSION OF BEA-PANAM MEETING. AT THAT

TIME, DEPARTMENT INTENDS TO HOLD TO GENERAL LINE OF OCTOBER 9 WASHINGTON TALKS. RUSH

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## Message Attributes

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